

Message Text

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FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 5240

INFO CINCLANT

COMICEDEFOR

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AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USIA WASHDC

UNCLAS REYKJAVIK 0345

E.O. 11652: N/A

TAGS: ELAB, IC

SUBJECT: TEMPORARY WAGE AGREEMENT SIGNED

REF: REYKJAVIK 0306

1. ICELANDIC FEDERATION OF LABOR NEGOTIATORS AND MANAGEMENT REPRESENTATIVES SIGNED TEMPORARY WAGE AGREEMENT ON EVE OF LONG EASTER WEEKEND, ENDING FIRST PHASE OF GENERAL CONTRACT NEGOTIATIONS THAT BEGAN IN JANUARY AND AVERTING GENERAL STRIKE SET FOR APRIL 7 (REFTEL). NEW PACT IS EXPECTED TO GET EARLY APPROVAL OF IFL AFFILIATE UNIONS.

2. AGREEMENT, WHICH WILL BENEFIT VAST MAJORITY OF IFL'S 40,000 MEMBERS, CALLS FOR INCREASES OF IKR 4900 PER MONTH FOR FULL-TIME EMPLOYEES WORKING DAYTIME HOURS AND EARNING LESS THAN IKR 69,000 MONTHLY. THOSE MAKING BETWEEN 69,000 AND 73,900 PER MONTH ARE TO RECEIVE RAISES SUFFICIENT TO BRING MONTHLY EARNINGS UP TO LATTER

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FIGURE. OVERTIME AND HOLIDAY RATES WILL INCREASE IN SAME

PROPOGATION AS RAISE IN PAY FOR WORK DURING REGULAR HOURS AT ANY GIVEN SALARY LEVEL. GOVERNMENT, WHICH HAD ALREADY PROMISED HELP TO LOWEST PAID AS RESULT OF LATEST PRICE-INCREASE COMPILATIONS, IS EXPECTED TO TAKE QUICK LEGISLATIVE OR ADMINISTRATIVE ACTION TO ALLOW IMPLEMENTATION OF AGREEMENT IN SPITE OF PREVAILING WAGE FREEZE. PACT IS RETROACTIVE TO MARCH 1, 1915 AND RUNS UNTIL JUNE 1, 1975.

3. NEGOTIATIONS AIMED AT LONGER-TERM CONTRACT SETTLEMENT ARE TO CONTINUE, WITH MAIN ISSUE BEING LABOR'S DEMAND FOR RESTORATION OF SOME TYPE OF WAGE-PRICE LINK WHICH GOVERNMENT SEVERED LAST FALL.

4. COMMENT: NEW AGREEMENT WOULD APPEAR TO MEET PRIMARY GOALS OF BOTH LABOR AND GOVERNMENT: IT PROVIDES IMMEDIATE HELP FOR LOWEST PAID, WITH A MINIMUM INFLATIONARY IMPACT. KEY ELEMENT OF PACT, HOWEVER, IS ITS BRIEF VALIDITY. IF IS, AS IFL PRESIDENT COMMENTED, ONLY A BREATHING SPACE, AND CLEARER PICTURE OF PROSPECTS FOR LABOR PEACE AND IMPLICATIONS FOR GOVERNMENT'S ECONOMIC PROGRAM MUST AWAIT RESULTS OF CONTINUING CONTRACT TALKS. AS IN THE PAST, WAGE INCREASES WON BY IFL WILL ALMOST IMMEDIATELY BE APPLICABLE ACROSS THE BOARD TO ALL WAGE EARNERS.
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